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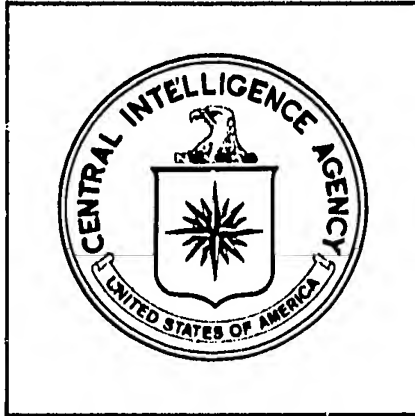
Approved For Release 000/09/14 : CIA-RDP86T00608R000400120042-0

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S/NFD 1 of 1
No. 0144-75

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STAFF NOTES:

Western Europe

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International Organizations

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No. 0144-75
March 5, 1975

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WESTERN EUROPE - [REDACTED] - INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Major Shake-up of Greek Army

In a reaction to last week's abortive coup, the Greek government yesterday announced a major shake-up of the army. Twenty generals were retired, while seventeen high-ranking officers who had been dismissed from the army during the seven years of military rule were recalled to active duty.

Three other officers who reportedly warned the government last week of the coup plot have been promoted to high posts, according to press reports. A government announcement indicates that more changes will be made today. (Unclassified)

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Spanish Prime Minister Arias Names Five
New Cabinet Ministers

Prime Minister Arias has taken advantage of the resignation of his labor minister ten days ago to reshuffle his cabinet. Tuesday night he named five new ministers in an effort to remove cabinet obstruction to his liberalization program and to deal more effectively with pressing labor and economic problems.

By replacing National Movement Minister Jose Utrera Molina, secretary general of the official state party, Arias removes a principal opponent of his plan to break the Movement's monopoly by permitting the formation of political associations. The replacement, Fernando Herrero Tejedor, favors evolution of the system. This change may encourage applications from moderate political groups, which to date have been reluctant to apply because they believed they would not obtain the necessary authorization from the Movement.

The naming of Fernando Suarez Gonzalez, a supporter of liberalization and labor expert, to be labor minister indicates that Arias has not given up on getting a limited right-to-strike law to ease labor unrest.

The elderly, infirm, and rightist minister of justice was replaced by Jose Maria Sanchez-Ventura, a younger and possibly more liberal personality. The new ministers of industry and commerce are competent technocrats associated with the minister of industry.

Franco may have overruled Arias' rumored proposal for a more sweeping shakeup, but the changes should improve teamwork in the cabinet and give Arias a better chance to implement his liberalization program. (Confidential)

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Portuguese Government Denounces Anti-American
Press Report

The Portuguese cabinet has issued a statement strongly denouncing a recent press report that accuses the US of plotting to overthrow the left-leaning provisional government.

All media were required to carry the communique that denounced the "irresponsibility" of reporting that does not contribute to public knowledge, but encourages "an atmosphere of alarm, discredit, and mistrust which only embarrasses the government." The government advised the media to practice greater objectivity and to avoid "fanciful and divisionist speculations...contrary to the national interest."

The offending press report, which appeared last Monday in a moderately leftwing, usually well-informed daily, was reprinted from a radical West German student publication. In addition, both the US and West German ambassadors were charged with conspiring with the Portuguese Socialists and their German counterparts to foment civil war in Portugal.

Anti-CIA propaganda has been given wide coverage in the Portuguese media in recent months without drawing comment from the provisional government. The promulgation last week of long-overdue press legislation, however, may have prompted the official protest in an effort to show that the government intends to make the law stick.

25X1X The Portuguese press took a sharp turn to the left in the past year, with radicals assuming positions of editorial responsibility. [redacted] in Lisbon surmises that, in this instance, the story was inserted by a radical member of the paper's staff without the knowledge of the more moderate chief editor. (Confidential)

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EC Commission Sees Bleak Economic Prospects
for Community

The EC Commission's latest economic assessment again reviews downward the Community's GNP growth rate for 1975. The study was prepared for background use at the meeting of the nine heads of government in Dublin next week. The continuing bleak outlook for member governments--particularly Britain, Ireland, and Italy--entails potentially serious political difficulties.

At their summit meeting last December, the Nine agreed that while a uniform economic policy for the Community is not an appropriate goal at this time, the anti-inflation and anti-recession policies pursued by individual countries should be coordinated with other members of the community. The ministers for economic affairs and finance were charged with implementing guidelines within the framework of Community procedures. The next EC finance ministers meeting is scheduled for March 18, at which time the Commission's report will be taken up.

The EC now expects an overall GNP growth rate of 1.5 percent for the year, ranging from 2.5 percent for France to a -1 to -1.5 percent for Italy. Should there be an upturn in mid-year as expected, the community could achieve a growth rate of 3 percent by year's end. The unemployment rate for the year is expected to average about 3 percent but could reach as high as 4 percent before reversing.

Only West Germany and the Netherlands are likely to emerge with a surplus in their balance of payments--the former with a surplus of \$6-7 billion, the latter about \$2 billion. Almost all of the other EC members are expected to run deficits (in billions of US dollars): the UK--\$9; Italy--\$4.3; France--\$4.6;

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Ireland--\$0.6; Denmark--\$1-1.5. Belgium is expected to balance out its payments, registering neither a surplus nor a deficit.

Among Community members, the increase in consumer price indices is expected to be the highest for the UK and Ireland--20 percent. EC officials privately acknowledge that, although both countries should be formally advised by the EC to reduce budgetary deficits, this is not feasible politically as it might well have a negative impact on British voters during the forthcoming referendum on EC membership.

Although West Germany and Belgium have followed through on their intentions, announced last December, to pursue a mildly expansionary economic policy, Commission officials now believe that a judgment on whether further expansion is necessary should be delayed until late spring. The Commission is also of the view that continuing unemployment problems in member states suffering from stagflation require structural changes in order to correct the situation. Rather than implement a program of general economic expansion, it would be preferable to increase investment in those industries which have the greatest export potential.

Although the Commission's report does not directly criticize member states on any issue, it is implicitly critical of the UK and Ireland--in particular--for pursuing policies which are aggravating existing economic differences within the EC.
(Limited Official Use)

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Norwegian Leftists Disagree on Merger

The planned merger of four of Norway's leftist parties into one large "radical" party has hit a snag.

The four parties--the Communists, Socialist Peoples Party, Democratic Socialists, and Independent Socialists--which control 16 of Norway's 155 parliamentary seats, have already informally grouped themselves as the Socialist Election Alliance. The formal merger was scheduled to take place at a national congress on March 15.

In the meantime, the three largest members of the Alliance have held conferences in preparation for the congress. Prospects are not bright for a successful merger, because each party conference decided on a different political line that it intends to push at the upcoming congress.

The Communists announced that they were opposed to the creation of a single party and, moreover, did not want the subject discussed at the congress. Party Chairman Larsen said that a unified party would have to be based on a Marxist-Leninist platform and cited deep differences with the Socialist Peoples Party, which advocates a Marxist orientation, as precluding a merger.

The Socialist Peoples Party has some common ground with the Democratic Socialists and the two may agree to unite at the March 15 congress. Even if the congress does not result in a formal merger, the four leftist parties are likely to continue to cooperate closely. (Confidential)

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Anti-American Campaign Currently Under
Way in Greek Cypriot Press

The inflammatory anti-American campaign currently under way in the Greek Cypriot press could result in further acts of violence against US personnel and facilities.

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The campaign, which [REDACTED] in Nicosia believes is inspired by President Makarios, began last week following the temporary detainment by Greek Cypriot authorities of four US airmen assigned to a British base. The incident led to a spate of articles accusing the US of using Cyprus as a base for espionage and of working against Greek Cypriot interests at the UN. Charges of US complicity in the Turkish invasion of Cyprus last summer have also been revived.

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[REDACTED] speculates that Makarios is orchestrating the campaign to deflect the frustration of Greek Cypriots away from himself, now that it has become apparent that he has failed to force Turkish concessions. The campaign has been effective among refugees and students, many of whom are joining radical leftist Vassos Lyssarides' party which supports Makarios and has been the most vocal critic of the US.

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Alternatively, [REDACTED] speculates that the campaign may be intended to condition Greek Cypriots to a change of policy toward the Soviet Union. This would involve risks, however, because the Athens government and at least some elements of the Greek Cypriot right would undoubtedly oppose such a move. The remnants of the EOKA-B terrorist organization which participated in the coup against Makarios last July might even react violently.

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It is doubtful that Makarios would turn to the Soviet Union, however, until the outcome of the Security Council debate on Cyprus--now in progress--is clear. He would also want to receive firm assurances of support from Moscow before taking any steps that might lead to an enhanced role for the Soviets on Cyprus.

Although the Soviets would like to exploit Makarios' predicament to obtain a greater role for themselves in any future Cyprus settlement, their performance to date indicates that they will move cautiously to avoid antagonizing the Turks.

In the meantime, the continuing discussions at the UN suggest that the Security Council soon may reach agreement on a draft resolution acceptable to the Greeks and Turks. The compromise formula would express regret over the declaration of a separate Turkish Cypriot state. It would also call for a resumption of intercommunal negotiations, with a greater role for the Secretary General and the participation of some non-permanent members of the Council in an advisory capacity. The talks would be held in Nicosia and New York.

The main impasse in the two-week-old debate has been the Turkish refusal to consider any kind of Security Council involvement in the talks and Greek insistence that the Council play a direct role.

If the compromise resolution is deemed "unsatisfactory" by the Greek Cypriots, it could spark another round of potentially violent demonstrations in the Greek Cypriot sector of Cyprus. (Secret No Foreign Dissem/No Dissem Abroad/Background Use Only/Controlled Dissem)

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